



## **North Carolina General Assembly**

### **Legislative Research Commission Advisory Subcommittee on Offshore Energy Exploration**

**April 27, 2009  
Carteret Community College  
Morehead City, North Carolina**

#### **MINUTES**

#### **WELCOME AND ATTENDANCE**

The Legislative Research Commission Advisory Subcommittee on Offshore Energy Exploration met on Monday, April 27, 2009 at 10:00 a.m. at Carteret Community College in Morehead City, North Carolina.

Co-Chairman Dr. Douglas Rader presided. After calling the meeting to order, he welcomed membership. In attendance with Dr. Rader were: Dr. James R. Leutze, Co-Chair; Dr. Lawrence Cahoon, Dr. Joel J. Ducoste, Dr. Orlando Hankins, Mr. Edward S. Holmes, Dr. Jamie Brown Kruse, Mr. John M. Monaghan, Mayor Mac Montgomery, Dr. Hans W. Paerl, Mr. Walter D. Phillips, Mr. Wayland J. Sermons, Jr., Mr. M. Paul Sherman, Dr. Laura O. Taylor, Mr. W. Hugh Thompson, Mr. Paul Tine, Dr. Jeffrey D. Warren, Mr. William Weatherspoon, Dr. Nancy White, and Dr. Rob Young. Subcommittee Counsel Duke Chen and Subcommittee Clerk Joyce Miles were also present.

A copy of the meeting notice, agenda and visitor's sheet are included as attachments to the minutes as **Exhibits A, B, and C**, respectively. A copy of public comments heard subsequent to the regular meeting is attached to the minutes as **Exhibit D**.

#### **SUBCOMMITTEE BUSINESS**

Dr. Rader announced that the Subcommittee reporting deadline was extended to the beginning of the 2010 Regular Session of the General Assembly. The Subcommittee's charge was also expanded to include alternative offshore energy issues. He then announced that the Subcommittee would meet May 13<sup>th</sup> to adopt an Interim Report, which would be submitted to the Legislative Research Commission on May 15<sup>th</sup>. A motion was then made to adopt the Minutes of the April 15, 2009 meeting. The motion was seconded and approved by unanimous vote.

## **NATURAL GAS NEEDS FOR NORTH CAROLINA**

Dr. Rader recognized Mr. Tom Moskitis, Managing Director, External Affairs, American Gas Association, to give a presentation on North Carolina's natural gas needs. He began with a graph on the trends in natural gas prices and how it fits in with the energy needs of the nation. He emphasized the importance of natural gas to our economy and to our country's energy plan.

Mr. Moskitis then compared natural gas to other sources of energy and showed that more actual energy gets to the customer and with lower greenhouse gas emissions. He added that residential needs lead in natural gas usage. Efficiency improvements have yielded a positive impact; consumers use 32 percent less than in 1980 due to improved efficiency. As he showed graphics of where natural gas may be found, he also added that as technological developments come to fruition, new sources of natural gas will continue to feed into the energy market. Finally, Mr. Moskitis concluded, that in terms of natural gas, there needs to be an increase in supply, direct use, and efficiency.

## **WIND ENERGY OPTIONS**

Dr. Rader recognized Mr. Bob Leker, Renewables Program Manager with the State Energy Office. Mr. Leker began his presentation noting that the State has significant potential for wind energy, particularly in Eastern North Carolina. As for wind energy's future in the State, he predicted, practical sighting, infrastructure, transmission and aesthetics will all prove critical.

Mr. Leker then gave his estimates of the economic impact for the State. Roughly 3,000 jobs could be created, he said, with a potential \$1.1 billion total economic benefit. He then talked about the technology related to wind power and the benefits associated with building turbines offshore. The greatest benefit, he points out, is that there are better wind resources offshore because there are higher winds and less turbulence. He then gave the Subcommittee some project areas that needed further study, including how wind turbines affect birds and aviation, as well as, its visual impact on the communities.

Mr. Leker ended his presentation by reporting that economic incentives, potential reductions in carbon emissions, and Federal tax credits will likely make wind energy an appealing choice for the State's energy future.

## **COSTAL ENERGY PRODUCTION AND ECOSYSTEMS**

Dr. Rader recognized Dr. Charles "Pete" Peterson, Distinguished Professor at the Institute of Marine Sciences at UNC-CH. Dr. Peterson presented on the potential impacts of offshore energy programs on both inshore and nearshore ecological systems.

He began by discussing his experiences with the Environmental Review Panel, originally formed by the U.S. Department of the Interior to investigate the status of North Carolina's offshore resources. He explained that the charge for the panel was to report on the status and capability of physical transport models; understand coastal biological systems and potential risks to those systems; and evaluate the socio-economic climate of coastal communities. As a result of the panel's findings, he recalled, the panel helped begin the moratorium on offshore drilling.

From there, the panel compiled a Minerals Management Service (MMS) study, examining the impacts of oil drilling in the Gulf of Mexico. The study reported that oil leakage impacted the environment as far as 200 meters away from oil rig platforms. He said that depending on one's perspective, these effects may be trivial.

Dr. Peterson then reviewed impacts of the Exxon Valdez oil spill that occurred in Prince William Sound, Alaska, on March 24, 1989. Hundreds of millions of dollars were pumped into research efforts, he reported, spanning an entire coastal ecosystem. He noted that although the Valdez spill was not the largest spill, its impact on wildlife was one of the largest due to the highly ecologically diverse area in which the spill occurred. He then added there is an average of 70 spills a day, but even if there were no accidents, a needed oil production industry may still have ecological impacts.

### **IMPACT OF COASTAL ENERGY PRODUCTION**

Ms. Anne Deaton, Head, N.C. Division of Marine Fisheries Habitat Protection Section, was recognized to speak by Dr. Rader. She began reminding the Subcommittee of the State's significant coastal resources, including diverse fish habitats and a rich heritage of commercial and sport fishing. To note, North Carolina has the largest estuarine system of any single Atlantic coastal state (2.3 million acres). These coastal resources have an accompanying economic value. Outside of tourist revenue, the State boasts a recreational fishing economy of \$2.4 billion as well as an ex-vessel commercial fishery valued at \$82 million. Ms. Deaton suggested to the Subcommittee that it is important to look at any potential offshore energy plans as a whole energy approach, rather than merely focusing on drilling for oil.

She then reviewed the State's management framework, including laws and permits required, as well as the administering State agencies. This framework, including the Clean Water Act and Coastal Area Management Act, are based on the public trust doctrine. She added that for energy production there would likely be an involved permitting process, a process headed by the Division of Coastal Management. Ms Deaton concluded her presentation saying that beyond the issues of permitting, a large coastal port is needed to distribute oil and natural gas, as well as additional road and highway infrastructure.

### **DISCUSSION SOCIAL, ECONOMIC AND COMMUNITY ISSUES RELATED TO COASTAL ENERGY PRODUCTION**

The Subcommittee then discussed potential socio-economic impacts of offshore energy exploration and development, impacts they as members were directed to understand more fully to fulfill the Subcommittee's charge. The discussion was facilitated by Dr. Laura Taylor.

- Dr. Taylor: It is unknown how energy pricing would be impacted, and there were still many issues to be examined.
- Mayor Montgomery: Local issues affect municipalities. Local governments often end up taking up the burden of Federal and State government.

- Mr. Sermons: Dealing with these issues without having a full picture, we need to know about the revenue sharing, and make sure we get all the facts.
- Mr. Holmes: Need to look at the impact on the average person impacts in communities that already have offshore energy industry.
- Dr. Leutze: Suggested finding out what does the federal government really wants, and if they are using other incentives and programs as leverage to encourage offshore drilling
- Dr. Kruse: The primary economic benefit to state has to do with infrastructure. He asked of usable places.
  - Dr. Rader- There are a limited amount of places that can be used
- Dr. Warren: Suggests looking at the economic feasibility of the refining industry and how they would operate offshore. He suggested looking at the Mexico security act (the Gulf of Mexico Energy Security Act of 2006) and zero percent revenue sharing. Also, Dr. Warren then asked how many wind turbines are needed for the State's coast. [6,000 at least] He then suggested bringing in people from refinery industry to discuss offshore operations.
- Dr. Young: Gulf revenue sharing is for hurricane and coastal protection. It is difficult to extrapolate Gulf tourism to North Carolina. For example, Mississippi does not have the kind of tourism North Carolina does. .
- Dr. Paerl: Responding to Dr. Young's comment, Dr. Paerl suggested comparing tourism versus value perspective between the State and the Gulf. He then stressed that habitat issues are a local issue/ recreation-living component.
- Mr. Thompson: Examine offshore energy's impact on the land, focusing on actual impact and not assuming there is going to be damage.
- Mr. Tine: Resources that we have need to be prioritized in order to know what the State wants to do about a sustainable solution. Where do we want to go as a state? How do we prioritize these resources? These will have both good and bad qualities, but once we have a larger framework, we can look at this in perspective.
- Dr. Leutze: We have to remember that we are not looking at tomorrow, but 10-15 years from now. Are we looking to just provide a portion?
- Dr. Paerl: We are no necessarily looking at the Exxon Valdez spill, but gradual changes in energy policy.
- Dr. Warren: The MMS will have a report on infrastructure needs. Where the MMS does wants to go? Are they still waiting word from new administration?
- Dr. Rader: We will look at all alternatives.

The meeting was adjourned by the Chairman at 5:05 p.m., and scheduled to meet again May 13, 2009 in the Auditorium of the Legislative Building.

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Dr. James Leutze, Co-Chair

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Jessica Kozma Bennett, Committee Clerk

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Dr. Douglas N. Rader, Co-Chair